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John J. Finnigan, Jr.  
Associate General Counsel

**VIA FAX AND OVERNIGHT MAIL**

November 17, 2006

Ms. Joyce Speer  
Public Service Commission  
Commonwealth of Kentucky  
211 Sower Boulevard  
Frankfort, Kentucky 40602-0615

Re: In the Matter of an Adjustment of Gas Rates of The Union Light, Heat and Power Company, Case No. 2001-00092; and

In the Matter of the Joint Application of Duke Energy Corporation, Duke Energy Holding Corp., Deer Acquisition Corp., Cougar Acquisition Corp., Cinergy Corp., The Cincinnati Gas & Electric Company and The Union Light, Heat and Power Company for Approval of a Transfer and Acquisition of Control, Case No. 2005-00228.

Dear Ms. Speer:

Pursuant to the Commission's January 31, 2002 Order in Case No. 2001-00092 and the Commission's November 29, 2005 Order in Case No. 2005-00228, Duke Energy Kentucky, Inc. is required to file quarterly financial statements and a report on the Company's capital structure. I have enclosed Duke Energy Kentucky, Inc.'s supplemental financial statement for the quarter ending September 30, 2006 and a capital structure report dated September 30, 2006. Please file-stamp the extra copy and return to me in the overnight envelope provided.

If you have any questions regarding the financial statements, please contact Ms. Peggy A. Laub, Manager, USFE&G Midwest Accounting at (513) 287-4291.

Very truly yours,

John J. Finnigan, Jr.  
Associate General Counsel

Enclosure  
JJF/sew

cc: Ms. Peggy A. Laub

**The Union Light, Heat and Power Company dba Duke Energy Kentucky**

**Quarterly Supplemental Financial Statements  
Balance Sheet - Page 1  
As of September 30, 2006  
(Unaudited)**

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<b><u>Assets</u></b>				
Utility Plant in Service	1,080,204,300	291,657,966	11,215,594	1,383,077,859
Construction Work in Progress	22,372,485	3,374,266	0	25,746,752
Less Accum. Depreciation	(522,482,797)	(86,641,540)	(6,947,075)	(616,071,413)
Net Utility Plant	580,093,988	208,390,692	4,268,519	792,753,198
Nonutility Property	0	0	14,813,637	14,813,637
Other Investments	0	0	2,500	2,500
Total Other Property & Investments	0	0	14,816,137	14,816,137
Cash	4,026,434	1,379,070	141,618	5,547,122
Special Deposits	(225,874)	(77,363)	(7,944)	(311,181)
Working Funds	1,815	622	64	2,500
Customer Accounts Receivable	1,128,137	663,820	0	1,791,957
Other Accounts Receivable	4,206,052	1,440,590	240,885	5,887,527
Less Provision for Uncollectibles	(212,711)	(79,643)	0	(292,355)
Notes Receivable from Assoc. Co.	4,459,623	1,527,440	156,854	6,143,918
Accounts Receivable from Assoc. Co.	(2,416,021)	(827,497)	(84,976)	(3,328,494)
Fuel Stock	9,226,098	2,080,767		11,306,865
Plant Materials & Operating Supplies	8,013,216	552,350	0	8,565,566
Other Materials & Supplies	(214,591)	(14,793)	0	(229,383)
Stores Expense Undistributed	345,250	23,798	0	369,048
Prepayments	3,783,245	1,791,008	0	5,574,252
Emission Allowances	13,703,617	0	0	13,703,617
Total Current & Accrued Assets	45,824,290	8,460,168	446,500	54,730,959
Unamortized Debt Expense	2,178,452	746,129	76,621	3,001,202
Other Regulatory Assets	6,515,534	5,714,579	0	12,230,113
Preliminary Survey & Investigation	104,541	35,806	3,677	144,023
Clearing Accounts	607,147	439,207	20,745	1,067,099
Temporary Facilities	(176,042)	0	0	(176,042)
Miscellaneous Deferred Debits	351,126	254,455	26,130	631,711
Unamortized Loss on Reacquired Debt	2,945,160	1,008,729	103,587	4,057,477
Accumulated Deferred Income Taxes	2,318,159	1,673,819	3,341,042	7,333,020
Unrecovered Purchased Gas Costs	0	282,053	0	282,053
Total Deferred Debits	14,844,077	10,154,777	3,571,801	28,570,656
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>640,762,355</b>	<b>227,005,637</b>	<b>23,102,958</b>	<b>890,870,950</b>

**The Union Light, Heat and Power Company dba Duke Energy Kentucky**

**Quarterly Supplemental Financial Statements**

**Balance Sheet - Page 2**

**As of September 30, 2006**

**(Unaudited)**

	<u>Electric</u> <u>Jurisdictional</u>	<u>Gas</u> <u>Jurisdictional</u>	<u>Non-</u> <u>Jurisdictional</u>	<u>Total</u> <u>Company</u>
<b><u>Proprietary Capital</u></b>				
Common Stock Issued	6,373,047	2,182,795	224,153	8,779,995
Premium on Capital Stock	13,674,437	4,683,550	480,958	18,838,946
Other Paid-in Capital Stock	172,486,620	(19,643,047)	(8,067,602)	144,775,972
Retained Earnings	(83,196,674)	226,488,414	31,293,931	174,585,676
Accumulated Other Comprehensive Income	(2,110,480)	(722,848)	(74,230)	(2,907,558)
Total Proprietary Capital	<u>107,226,950</u>	<u>212,988,864</u>	<u>23,857,210</u>	<u>344,073,032</u>
<b><u>Liabilities</u></b>				
Bonds	197,230,679	67,552,309	6,937,012	271,720,000
Unamortized Premium on Long-Term Debt				
Less Unamortized Discount on Long-Term Debt	(538,661)	(184,493)	(18,945)	(742,100)
Total Long-Term Debt	<u>196,692,018</u>	<u>67,367,816</u>	<u>6,918,067</u>	<u>270,977,900</u>
Obligations Under Capital Leases - Noncurrent	7,556,503	2,565,395	0	10,121,898
Asset Retirement Obligation	6,594,019	1,805,415	0	8,399,434
Accum. Provision for Injuries & Damages	137,278	0	0	137,278
Accum. Misc. Operating Provisions	5,528,167	3,999,048	188,882	9,716,096
Total Other Noncurrent Liabilities	<u>19,815,968</u>	<u>8,369,858</u>	<u>188,882</u>	<u>28,374,706</u>
Accounts Payable	7,375,242	2,526,050	259,403	10,160,694
Notes Payable to Assoc. Co.	19,729,722	6,757,510	693,935	27,181,167
Accounts Payable to Assoc. Co.	9,783,180	3,350,779	344,095	13,478,053
Customer Deposits	2,850,644	1,917,117	0	4,767,761
Taxes Accrued	141,447,330	(125,732,637)	(6,445,198)	9,269,494
Interest Accrued	1,454,411	498,142	51,155	2,003,707
Tax Collections Payable	653,856	394,259	33,653	1,081,767
Misc. Current & Accrued Liabilities	1,459,597	1,055,865	49,870	2,565,332
Obligations Under Capital Leases - Current	996,243	338,220	0	1,334,463
Total Current & Accrued Liabilities	<u>185,750,225</u>	<u>(108,894,695)</u>	<u>(5,013,086)</u>	<u>71,842,438</u>
Customer Advances for Construction	0	2,172,021	0	2,172,021
Accum. Deferred Investment Tax Credits	5,525,430	1,378,728	0	6,904,158
Other Deferred Credits	3,920,548	8,551,705	0	12,472,253
Other Regulatory Liabilities	1,057,541	453,102	0	1,510,643
Accumulated Deferred Income Taxes	120,773,676	34,618,238	(2,848,116)	152,543,798
Total Deferred Credits	<u>131,277,195</u>	<u>47,173,794</u>	<u>(2,848,116)</u>	<u>175,602,874</u>
<b>TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS</b>	<u><u>640,762,355</u></u>	<u><u>227,005,637</u></u>	<u><u>23,102,958</u></u>	<u><u>890,870,950</u></u>

Quarterly Supplemental Financial Statements

Income Statement

For the 12 Months Ended September 30, 2006

(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<b>Revenues</b>				
Residential Sales	92,255,873	94,267,475	0	186,523,349
Commercial Sales	99,241,340	39,119,194	0	138,360,534
Industrial Sales	40,185,622	6,618,208	0	46,803,830
Sales to Public Authorities	17,239,459	6,324,210	0	23,563,669
Public Street & Highway Lighting	1,451,829	0	0	1,451,829
Inter-Departmental Sales	168,879	86,654	0	255,532
Misc. Service Revenues	236,104	33,622	434,020	703,745
Revenues from Transportation	0	4,675,043	0	4,675,043
Rents from Property	1,445,638	34,176	1,186,955	2,666,769
Other Revenues	4,238,625	14,386	0	4,253,011
<b>Total Revenues</b>	<b>256,463,369</b>	<b>151,172,968</b>	<b>1,620,975</b>	<b>409,257,312</b>
<b>Operating Expenses</b>				
Operation Expense	188,181,503	124,484,490	73,881	312,739,874
Maintenance Expense	21,049,817	1,556,797	90,173	22,696,787
Depreciation Expense	9,824,935	6,410,229	14,651,752	30,886,916
Amortization and Depletion	1,439,721	941,462	0	2,381,182
Taxes Other than Income Taxes	5,434,644	3,276,954	279,711	8,991,310
Income Taxes - Federal & Other	(3,743,750)	3,327,822	170,588	(245,340)
Provision of Deferred Income Taxes - Net	4,452,424	(519,277)	1,749,685	5,682,832
Investment Tax Credit Adjustment	0	(24,963)	24,963	0
<b>Total Operating Expenses</b>	<b>226,639,293</b>	<b>139,453,514</b>	<b>17,040,753</b>	<b>383,133,560</b>
<b>NET OPERATING INCOME</b>	<b>29,824,076</b>	<b>11,719,454</b>	<b>(15,419,778)</b>	<b>26,123,752</b>
<b>Other Income &amp; Deductions</b>				
Revenues from Merchandising, Jobbing and Contract Work	0	0	869,918	869,918
Less Expense of Merchandising, Jobbing and Contract Work	0	0	(588,352)	(588,352)
Revenues from Nonutility Operations	0	0	16,935	16,935
Interest & Dividend Income	0	0	2,987,062	2,987,062
AFUDC	400,405	307,499	707,904	707,904
Gain on Disposition of Property	0	0	0	0
Loss on Disposition of Property	0	0	(60,081)	(60,081)
Misc. Income Deductions	0	0	(1,880,656)	(1,880,656)
Taxes Other than Income Taxes	0	0	0	0
Income Taxes - Federal & Other	0	0	(461,315)	(461,315)
Provision for Deferred Income Taxes - Net	0	0	0	0
<b>Total Other Income &amp; Deductions</b>	<b>400,405</b>	<b>307,499</b>	<b>883,511</b>	<b>1,591,415</b>
<b>Interest Charges</b>				
Interest on Long Term Debt	(7,121,066)	(2,438,994)	(250,463)	(9,810,523)
Amortization of Debt Disc. And Expense	(400,380)	(137,132)	(14,082)	(551,594)
Amortization of Loss on Recquired Debt	0	0	0	0
Interest on Debt to Assoc Co	(2,514,591)	(861,257)	(88,443)	(3,464,291)
Other Interest Expense	(621,963)	(213,025)	(21,876)	(856,863)
Less Allowance for Borrowed Fund Used During Construction - Credit	181,973	167,218	266,578	615,769
<b>Net interest Charges</b>	<b>(10,476,027)</b>	<b>(3,483,190)</b>	<b>(108,286)</b>	<b>(14,067,503)</b>
Extraordinary Items after Taxes	0	0	0	0
<b>NET INCOME</b>	<b>19,748,454</b>	<b>8,543,762</b>	<b>(14,644,553)</b>	<b>13,647,664</b>

Union Light Heat & Power Company  
DBA Duke Energy of Kentucky  
Capital Structure  
September 30, 2006

	Actual June 2006	Activity	Actual September 2006
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
M2310 Long-term debt	\$ 254,959,098	\$ 16,018,802	\$ 270,977,900
M2430 Obligations under Capital Lease-Noncurr	\$ 10,450,381	\$ (328,484)	\$ 10,121,898
<b>Total Long-term debt</b>	<b>\$ 265,409,480</b>	<b>\$ 15,690,318</b>	<b>\$ 281,099,798</b>
Common Stock Equity			
201000 Common Stock	\$ 8,779,995	\$ -	\$ 8,779,995
207000 Prem On Capital Stock Common	\$ 18,838,946	\$ -	\$ 18,838,946
208000 Donat Recvd From Stkhld	\$ 139,855,098	\$ -	\$ 139,855,098
208010 Donat Recvd From Stkhld Tax	\$ 5,077,068	\$ -	\$ 5,077,068
211110 PIC - Sharesaver	\$ (156,194)	\$ -	\$ (156,194)
216000 Unappropriated RE Bal	\$ 176,600,155	\$ -	\$ 176,600,155
216990 Unapp Ret Erngs-Curr Yr Net In	\$ (2,446,321)	\$ 431,843	\$ (2,014,478)
438000 Dividends Declared On Common S	\$ -	\$ -	\$ -
S2750 Accum other comprehensive income (loss)	\$ (2,322,809)	\$ (584,748)	\$ (2,907,558)
<b>Total Common Stock Equity</b>	<b>\$ 344,225,937</b>	<b>\$ (152,906)</b>	<b>\$ 344,073,032</b>
<b>TOTAL CAPITALIZATION</b>	<b>\$ 609,635,417</b>	<b>\$ 15,537,413</b>	<b>\$ 625,172,830</b>